

TOWNSHIP OF MASTODON

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Financial Report  
with Supplemental Information  
Prepared in Accordance with GASB 34

March 31, 2005

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>TOWNSHIP OF MASTODON</b>	County <b>IRON</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>5/2/05</b>	Date Accountant Report Submitted to State: <b>9/27/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>DS ROSTAGNO, CPA, P.C.</b>			
Street Address <b>101 WEST MAPLE STREET</b>	City <b>IRON RIVER</b>	State <b>MI</b>	ZIP <b>49935</b>
Accountant Signature 		Date <b>9/27/05</b>	

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**INDEPENDENT AUDITOR'S REPORT**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935***

***Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees  
**Township of Mastodon**  
PO Box 155  
Alpha, Michigan 49902

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the **Township of Mastodon**, as of and for the fiscal year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

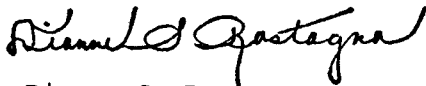
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Mastodon** at March 31, 2005, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 02, 2005 on our consideration of the **Township of Mastodon's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 8 through 20 and the budgetary comparison information are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Mastodon's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 02, 2005

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# Mastodon Township

Upper Michigan's Iron County

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402 Center Street . P.O. Box 155 . Alpha, MI 49902 . Township Hall (906) 875-6232

The management of the **Township of Mastodon** provides this narrative overview and analysis of the financial activities of the **Township of Mastodon** for the fiscal year ended March 31, 2005. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

## *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## *Government-wide financial statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, road repair, and culture and recreation. The business-type activity of the Township is the Water Utility service.

# Mastodon Township

Upper Michigan's Iron County

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## *Fund Financial Statements*

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: **governmental funds, proprietary funds, and fiduciary funds.**

## *Governmental Funds*

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general and road funds, both of which are considered major funds. The Liquor Law Enforcement Fund is a non-major governmental fund. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

# Mastodon Township

Upper Michigan's Iron County

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## ***Proprietary Funds***

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water Utility Fund is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

## ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

## ***Notes to the Financial Statements***

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

## ***Supplementary Information***

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

# Mastodon Township

Upper Michigan's Iron County

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## *Government-wide Financial Analysis*

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 754,710 at March 31.

By far, the largest portion of the Township's net assets (approximately 67%) is held in the form of cash and cash equivalents. In addition, a substantial percentage (approximately 33%) of the total net assets are in the form of capital assets. These capital assets are used to provide services to citizens and are not available for future spending. It should also be noted that these assets are free of related debt. At March 31, 2005, the Township reported \$ 252,536 in net capital assets.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 397,053 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$ 750,153 and \$ 4,557, respectively.

Following is a comparative Statement of Net Assets for fiscal years ended March 31, 2005 and March 31, 2004:

	March 31, 2005		
	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>Assets</b>			
Current and other assets	\$ 499735	\$ 4872	\$ 504607
Capital assets, net	252536	0	252536
<b>Total Assets</b>	<b>\$ 752271</b>	<b>\$ 4872</b>	<b>\$ 757143</b>

# Mastodon Township

Upper Michigan's Iron County

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## *Government-wide Financial Analysis (Continued)*

March 31, 2005			
<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Liabilities</u>			
Long-term liabilities	\$ 0	\$ 0	\$ 0
Other liabilities	<u>2118</u>	<u>315</u>	<u>2433</u>
<b>Total Liabilities</b>	<b>2118</b>	<b>315</b>	<b>2433</b>
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	\$ 252536	\$ 0	\$ 252536
Restricted	100564	4557	105121
Unrestricted	<u>397053</u>	<u>0</u>	<u>397053</u>
<b>Total Net Assets</b>	<b>\$ 750153</b>	<b>\$ 4557</b>	<b>\$ 754710</b>

March 31, 2004			
<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 514721	\$ 5007	\$ 519728
Capital assets, net	<u>270251</u>	<u>0</u>	<u>270251</u>
<b>Total Assets</b>	<b>\$ 784972</b>	<b>\$ 5007</b>	<b>\$ 789979</b>

# Mastodon Township

Upper Michigan's Iron County

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## *Government-wide Financial Analysis (Continued)*

	March 31, 2004		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b><u>Liabilities</u></b>			
Long-term liabilities	\$ 0	\$ 0	\$ 0
Other liabilities	<u>1894</u>	<u>354</u>	<u>2248</u>
<b>Total Liabilities</b>	<b>\$ 1894</b>	<b>\$ 354</b>	<b>\$ 2248</b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	\$ 270251	\$ 0	\$ 270251
Restricted	173926	4653	178579
Unrestricted	<u>338901</u>	<u>0</u>	<u>338901</u>
<b>Total Net Assets</b>	<b>\$ 783078</b>	<b>\$ 4653</b>	<b>\$ 787731</b>

For governmental activities, net assets decreased by \$ 32,925 during the 2004-2005 fiscal year. For business-type activities, net assets increased by \$ 96 during the fiscal year.

The following represents the comparative changes in net assets for both governmental and business-type activities for the fiscal years ended March 31, 2005 and March 31, 2004:

# Mastodon Township

Upper Michigan's Iron County

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## *Government-wide Financial Analysis (Continued)*

March 31, 2005			
<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
<b>Program Revenues</b>			
Charges for services	\$ 9154	\$ 3007	\$ 12161
Capital grants	5254		5254
<b>General Revenues</b>			
Property taxes	183585		183585
Other taxes	42149		42149
Unrestricted grants	31630		31630
Other	13206		13206
<b>Total Revenues</b>	<b>\$ 284978</b>	<b>\$ 3007</b>	<b>\$ 287985</b>
<b><u>EXPENSES</u></b>			
General government	\$ 63637	\$	\$ 63637
Legislative	17734		17734
Township property	29423		29423
Public safety	28386		28386
Public works	158423		158423
Culture and recreation	10281		10281
Depreciation	30290		30290
<b>Total governmental expenses</b>	<b>338174</b>	<b>-0-</b>	<b>338174</b>
<b><u>Business-type activities:</u></b>			
Water services		3103	3103
<b>Total business-type expenses</b>	<b>-0-</b>	<b>3103</b>	<b>3103</b>
<b>TOTAL EXPENSES</b>	<b>\$ 338174</b>	<b>\$ 3103</b>	<b>\$ 341277</b>

# Mastodon Township

Upper Michigan's Iron County

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## Government-wide Financial Analysis (Continued)

	March 31, 2005		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Increase (Decrease) in Net Assets	\$ (53196)	\$ (96)	\$ (53292)
Net Assets, beginning of year	783078	4653	787731
Cumulative Effect of a Change in Application of Accounting Principle	20271	0	20271
<b>Net Assets, end of year</b>	<b>\$ <u>750153</u></b>	<b>\$ <u>4557</u></b>	<b>\$ <u>754710</u></b>

	March 31, 2004		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
<b><u>Program Revenues</u></b>			
Charges for services	\$ 7776	\$ 3401	\$ 11177
Capital grants	6969		6969
<b><u>General Revenues</u></b>			
Property taxes	172500		172500
Other taxes	41174		41174
Unrestricted grants	33740		33740
Other	<u>17792</u>	<u>7</u>	<u>17799</u>
<b>Total Revenues</b>	<b>\$ 279951</b>	<b>\$ 3408</b>	<b>\$ 283359</b>



# Mastodon Township

Upper Michigan's Iron County

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## *Government-wide Financial Analysis (Continued)*

March 31, 2004			
<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business-type</u>	
<u>EXPENSES</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General government	\$ 56625	\$	\$ 56625
Legislative	14908		14908
Township property	24676		24676
Public safety	28024		28024
Public works	216810		216810
Culture and recreation	11191		11191
Depreciation	29114		29114
<b>Total governmental expenses</b>	<b>381348</b>	<b>-0-</b>	<b>381348</b>
<u>Business-type activities:</u>			
Water services		3148	3148
<b>Total business-type expenses</b>	<b>-0-</b>	<b>3148</b>	<b>3148</b>
<b>TOTAL EXPENSES</b>	<b>\$ 381348</b>	<b>\$ 3148</b>	<b>\$ 384496</b>
Increase (Decrease) in			
Net Assets	\$ (101397)	\$ 260	\$ (101137)
Net Assets, beginning of year	884475	4393	888868
<b>Net Assets, end of year</b>	<b>\$ 783078</b>	<b>\$ 4653</b>	<b>\$ 787731</b>

## *Governmental Activities*

Property taxes and other tax revenues comprise \$ 225,734 or approximately 79 percent of total governmental revenues. And, at fiscal year-end, the Township reported \$ 31,630 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

# Mastodon Township

Upper Michigan's Iron County

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## ***Governmental Activities (Continued)***

The Township expended \$ 338,174 on governmental programs and services. Some of the largest expense categories were for public works, where \$ 158,423, or 47 percent of total governmental expenditures were expended; \$ 63,637 or 19 percent of the total was used for general government, and \$ 29,423, or 9 percent of total governmental expenditures was used to maintain Township property.

## ***Business-type Activities***

Business-type activities decreased the Township's net assets by \$ 96. Charges for services for the Water activities for the year ended were \$ 3,007. Total expenses for the Water activities for the year ended were \$ 3,103.

## ***Financial Analysis of the Governmental Funds***

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

## ***Governmental Funds***

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Township's governmental funds reported combined ending fund balances of \$ 497,617, of which \$ 100,564 is reserved and the remaining \$ 397,053 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues greater than the original or final projections in both the General Fund and the Road Fund. Total expenditures in both funds were also considerably less than the amounts budgeted, both in the original and final amended budgets. And, as fiscal year end, the fund balance was higher than projected for both the General Fund and the Road Repair Fund.

# Mastodon Township

Upper Michigan's Iron County

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## *Governmental Funds (Continued)*

### **Revenue – Budget vs Actual for Fiscal Year Ended March 31, 2005:**

	<u>Revenue Original Budget</u>	<u>Revenue Final Budget</u>	<u>Revenue Final Actual</u>	<u>Revenue Variance Actual vs Original Budget</u>	<u>Revenue Variance Actual vs Final Budget</u>
<b>General Fund</b>	\$ 195708	\$ 195708	\$ 212968	\$ 17260	\$ 17260
<b>Road Fund</b>	69660	69660	71680	2020	2020

### **Expenditures – Budget vs Actual for Fiscal Year Ended March 31, 2005:**

	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Expenditures Variance Actual vs Original Budget</u>	<u>Expenditures Variance Actual vs Final Budget</u>
<b>General Fund</b>	\$ 252838	\$ 255638	\$ 176477	\$ 76361	\$ 79161
<b>Road Fund</b>	168009	170460	143660	24349	26800

General fund financial and budgetary highlights of the fiscal year include:

- \* Property taxes, administration fees, and other taxes were slightly higher than both the original and final budgetary projections.
- \* State sales tax distributions were up from the final amended budget, coming in at \$ 32,789, which exceeds by \$ 2,789 the budgeted estimates of \$ 30,000.
- \* Expenditures in total for the general fund were \$ 179,277 less than the final amended budget. This was largely due to the fact that expenditures for all activities were less than the amounts appropriated.

# Mastodon Township

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## ***Governmental Funds (Continued)***

Special revenue funds financial and budgetary highlights of the fiscal year include:

- \* Road repair costs incurred during the year were somewhat less than the amount budgeted, with actual expenditures of \$ 143,660, compared to the budgeted \$ 168,009 and the final budgeted \$ 170,460.

## ***Proprietary Funds***

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at year-end were \$ 4,557.

The change in net assets was a loss of \$ 96.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 252,536. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 9,085 or just approximately 1.3 percent of the estimated original cost of total assets. All infrastructure is accounted for in the General Fund, and consists of sewer mains and lines.

Major capital events during the current fiscal year included:

- \* Purchase of computer equipment, software, and a counter top to enhance the office workspace, at a total cost of \$ 6,009.
- \* Purchase of fire-fighting equipment at the cost of \$ 6,566.

# Mastodon Township

Upper Michigan's Iron County

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402 Center Street . P.O. Box 155 . Alpha, MI 49902 . Township Hall (906) 875-6232

## *Long-term debt*

The Township has no long-term debt at March 31, 2005.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no outstanding general obligation debt, this is not a concern to the Township.

## **Other Economic Factors and Next Year's Budget**

### *Economic Factors*

Currently, the State of Michigan is experiencing a severe budgetary crisis. At this point, it is unknown how this will translate into reduced funding at the Township level. This is a budgetary concern, however, since the state's sales tax distribution is a large revenue item for the Township.

Despite the poor outlook of the State's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

The Township's fiscal year 2005-2006 general fund budget is \$ 257,421 representing a modest increase from the previous fiscal year.

Significant plans and major priorities for the Township for the 2005-2006 fiscal year include:

- \* Sale of Porter School and also to obtain a mutual agreement with a time line for the purchase of the office, gymnasium, and fire department. The next step would be to secure property on which to build a new Township Hall.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor  
Mastodon Township  
Alpha, Michigan 49902

**BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF MASTODON**

**STATEMENT OF NET ASSETS**

MARCH 31, 2005

<b>ASSETS</b>	<b>Primary Government</b>		<b>Total Reporting Entity</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents (Note C )	\$ 467,428	\$ 4,754	\$ 472,182
Receivables			
Taxes	7,666		7,666
Accounts Receivable	285	118	403
Due from External Parties	24,356		24,356
<b>Total Current Assets</b>	<b>499,735</b>	<b>4,872</b>	<b>504,607</b>
<b><u>Noncurrent Assets</u></b>			
Capital Assets, Net (Note H )	252,536	-	252,536
<b>Total Noncurrent Assets</b>	<b>252,536</b>	<b>-</b>	<b>252,536</b>
<b>TOTAL ASSETS</b>	<b>\$ 752,271</b>	<b>\$ 4,872</b>	<b>\$ 757,143</b>
<b>LIABILITIES</b>			
<b><u>Current Liabilities</u></b>			
Accounts Payable	-		-
Accrued Taxes	1,418		1,418
Deferred Revenue	700	315	1,015
<b>Total Current Liabilities</b>	<b>2,118</b>	<b>315</b>	<b>2,433</b>
<b>TOTAL LIABILITIES</b>	<b>2,118</b>	<b>315</b>	<b>2,433</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	252,536		252,536
Reserved for Road Repair	100,119		100,119
Reserved for Liquor Law Enforcement	445		445
Reserved for Water Repairs/Improvements		4,557	4,557
Unreserved and Undesignated	397,053		397,053
<b>TOTAL NET ASSETS</b>	<b>\$ 750,153</b>	<b>\$ 4,557</b>	<b>\$ 754,710</b>

The notes to the financial statements are integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants</u>
Primary Government -				
General government	\$ 63,637	\$ 1,864	\$ -	\$ -
Legislative	17,734			
Township property	29,423	1,946		
Public safety	28,386	5,344	1,489	
Public works	158,423		3,765	
Culture and recreation	10,281			
Depreciation (Unallocated)	30,290			
Total Governmental Activities	338,174	9,154	5,254	-
<u>Business-type Activities</u>				
Water	3,103	3,007		
Total Business-type Activities				

**General Revenues:**

Taxes:

Property taxes levied for general operations  
Property taxes levied road repair  
Other taxes and fees  
State Sales Tax Distribution  
Sale of Property  
Interest and Investment Earnings  
Other

**Total General Revenues**

**Change in Net Assets**

**Net Assets - Beginning of year**

Cumulative Effect of a Change in the Application of  
an Accounting Principle

**Net Assets - End of year**



**TOWNSHIP OF MASTODON**

**STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2005

***Net (Expense) Revenue and Changes  
in Net Assets***

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (61,773)	\$ -	\$ -
(17,734)		
(27,477)		
(21,553)		
(154,658)		
(10,281)		
(30,290)		
<hr/>	<hr/>	<hr/>
(323,766)	-	(323,766)
	(96)	(96)
	<hr/>	<hr/>
	(96)	(323,862)
117,720		117,720
65,865		65,865
42,149		42,149
31,630		31,630
1,000		1,000
7,460		7,460
4,746		4,746
<hr/>	<hr/>	<hr/>
270,570	-	270,570
(53,196)	(96)	(53,292)
783,078	4,653	787,731
20,271	-	20,271
<u>\$ 750,153</u>	<u>\$ 4,557</u>	<u>\$ 754,710</u>

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

MARCH 31, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Investments (Note C )				
Unrestricted	\$ 371,262	\$ 96,508	\$ (342)	\$ 467,428
Receivables:				
Taxes	4,916	2,750		7,666
Accounts Receivable	285	-		285
Due from Other Funds	23,524	861	793	25,178
<b>TOTAL ASSETS</b>	<b><u>\$ 399,987</u></b>	<b><u>\$ 100,119</u></b>	<b><u>\$ 451</u></b>	<b><u>\$ 500,557</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accrued Taxes	1,412		6	1,418
Accounts Payable	-			-
Deferred Revenue	700			700
Due to Other Funds	822			822
<b>Total Liabilities</b>	2,934	-	6	2,940
<b>Fund Balances</b>				
Reserved for Road Repair		100,119		100,119
Reserved for Liquor Law Enforcement			445	445
Unreserved and Undesignated	397,053			397,053
<b>Total Fund Balances</b>	397,053	100,119	445	497,617
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 399,987</u></b>	<b><u>\$ 100,119</u></b>	<b><u>\$ 451</u></b>	<b><u>\$ 500,557</u></b>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2005

Fund Balances - Total Governmental Funds \$ 497,617

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and are not  
reported in the funds.

The cost of capital assets is: 685,218  
Accumulated depreciation is: (432,682)

Long term liabilities are not due and payable  
in the current period and are not reported  
in the funds:

Bonds Payable -  
Compensated Absences -

Other long term assets not available to pay  
current period expenditures therefore  
deferred in the funds -

Accrued interest is not included as a liability  
in governmental funds -

Total Net Assets - Governmental Activities \$ 750,153

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**

YEAR ENDED MARCH 31, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>				
General Property taxes	\$ 117,720	\$ 65,865	\$ -	\$ 183,585
Other local taxes	29,383	433		29,816
Fees/Penalties/ interest on taxes	17,677			17,677
Licenses, permits, and fees	1,864			1,864
Sale of property	1,000			1,000
Use of money and property	7,798	1,608		9,406
Charges for services	-			-
Miscellaneous	4,737	9		4,746
Intergovernmental	<u>32,789</u>	<u>3,765</u>	<u>330</u>	<u>36,884</u>
<b>TOTAL REVENUE</b>	<b>\$ 212,968</b>	<b>\$ 71,680</b>	<b>\$ 330</b>	<b>\$ 284,978</b>
<b>EXPENDITURES</b>				
Current Operating:				
General Government	63,637			63,637
Legislative	17,734			17,734
Township property	29,423			29,423
Public safety	28,064		322	28,386
Public works	14,763	143,660		158,423
Culture and recreation	10,281			10,281
Community development	-			-
Capital Outlay	<u>12,575</u>			<u>12,575</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 176,477</b>	<b>\$ 143,660</b>	<b>\$ 322</b>	<b>\$ 320,459</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>36,491</b>	<b>(71,980)</b>	<b>8</b>	<b>(35,481)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>36,491</b>	<b>(71,980)</b>	<b>8</b>	<b>(35,481)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b><u>360,562</u></b>	<b><u>172,099</u></b>	<b><u>437</u></b>	<b><u>533,098</u></b>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$ 397,053</u></b>	<b><u>\$ 100,119</u></b>	<b><u>\$ 445</u></b>	<b><u>\$ 497,617</u></b>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON
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GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (35,481)
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Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures; in  
the statement of activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation Expense	(30,290)
Capital Outlay	<u>12,575</u>
Total	(17,715)

Change in Net Assets of Governmental Activities	<u>\$ (53,196)</u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON
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STATEMENT OF FUND NET ASSETS  
ENTERPRISE FUND

MARCH 31, 2005

	<u>Water Fund</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash, Unrestricted	\$ 4,754
Receivables, Net	
Accounts	<u>118</u>
<b>Total Current Assets</b>	4,872
<b>TOTAL ASSETS</b>	<b>4,872</b>
 <b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Deferred Revenues	<u>315</u>
<b>Total Current Liabilities</b>	315
<b>TOTAL LIABILITIES</b>	<b>315</b>
 <b>NET ASSETS</b>	
Restricted	<u>4,557</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 4,557</u></b>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON
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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUND

YEAR ENDED MARCH 31, 2005

	<u>Water Fund</u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 3,007
Miscellaneous	-
	<hr/>
TOTAL OPERATING REVENUES	3,007
 <b>OPERATING EXPENSES</b>	
Personal Services and Benefits	125
Contractual Services	1,517
Repairs and Maintenance	-
Other Supplies and Expenses	1,461
Administrative Expenses	-
Depreciation	-
Miscellaneous	-
	<hr/>
TOTAL OPERATING EXPENSES	3,103
 <b>OPERATING INCOME (LOSS)</b>	 (96)
 Non-Operating Revenues (Expenses:)	
Interest Revenue	-
	<hr/>
Total Non-Operating Revenues (Expenses)	-
 <b>Change in Net Assets</b>	 (96)
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>4,653</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u><u>\$ 4,557</u></u>

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

<b>CASH FLOWS FROM (USED BY)</b>	<u><b>Water Fund</b></u>
<u><b>OPERATING ACTIVITIES</b></u>	
Net cash received from fees and services	\$ 2,968
Other operating revenues	
Cash payments to employees for services	(125)
Cash payments to goods and services	(2,978)
Other operating expenses	-
	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(135)</b>
<u><b>NON CAPITAL AND FINANCING ACTIVITIES</b></u>	
Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	-
	-
<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>-</b>
<u><b>CAPITAL AND RELATED FINANCING ACTIVITIES</b></u>	
Acquisition and construction of capital assets	
Principal payment on long-term bonds	
Interest paid on long-term bonds	
Interest and tax expense	
Proceeds from borrowings	
Contributed capital grants	
	-
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>
<u><b>INVESTING ACTIVITIES</b></u>	
Interest Income	
	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(135)</b>
Cash and Cash Equivalents, Beginning of Year	4,889
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,754</b>

The notes to the financial statements are an integral part of this report.



TOWNSHIP OF MASTODON

STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

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Operating Income	\$ (96)
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	-
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	
Increase (Decrease) in accounts payable	
Increase (Decrease) in deferred revenue	(39)
Increase (Decrease) in customer deposits	-
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (135)</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2005

	Agency Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 52,546
<b>TOTAL ASSETS</b>	<b>\$ 52,546</b>
<b>LIABILITIES</b>	
Due to Other Funds	24,356
Due to Other Governmental Units	28,190
<b>TOTAL LIABILITIES</b>	<b>\$ 52,546</b>
<b>NET ASSETS</b>	<b>0</b>

The notes to the financial statements are an integral part of this report.

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWNSHIP OF MASTODON**

**NOTES TO THE FINANCIAL STATEMENTS**

*MARCH 31, 2005*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by the **Township of Mastodon**, Alpha, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

**THE FINANCIAL REPORTING ENTITY**

The **Township of Mastodon** covers an area of approximately 83789 acres. The Township operates under an elected Council (5 members) and provides services to approximately 435 residents in many areas including law enforcement protection, general administration, and water services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**THE FINANCIAL REPORTING ENTITY (Continued)**

On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

**BLENDED COMPONENT UNITS**

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units reported in the audited financial statements for the Township of Mastodon.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES (Continued)

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

BASIS OF PRESENTATION

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:



TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

*Management's Discussion and Analysis*

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

*Government-wide financial statements*

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**BASIS OF PRESENTATION (Continued)**

*Government-wide financial statements  
(Continued)*

The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

*Statement of Net Assets*

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**BASIS OF PRESENTATION (Continued)**

***Statement of Net Assets (Continued)***

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

***Statement of Program Activities***

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

***Budgetary comparison schedule***

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

*Budgetary comparison schedules (Continued)*  
Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government entities for which the government is considered to be financially accountable.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds, (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

Both governmental-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information.

The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, culture and recreation, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, culture and recreation, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Township does not allocate indirect expenses.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing sets of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The fund statements are presented on a current financial resource and modified accrual basis of accounting.



TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

The following is a brief description of the specific funds used by the Township.

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

**General Fund**

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The General Fund is always considered a major fund for reporting purposes.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's *Liquor Law Enforcement* and *Road Repair* funds are Special Revenue Funds.

The Road Repair fund is considered a major fund for reporting purposes. The Liquor Law Enforcement fund is considered a non-major fund for reporting purposes.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS

*Debt Service Fund*

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

There is currently no debt service fund for the Township.

*Capital Projects Fund*

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

There is currently no capital projects fund for the Township.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Township's Water Fund is an Enterprise Fund.

For reporting purposes, the Water Fund is considered to be a major fund.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds. The Township's Current Tax Collection Fund is a Fiduciary Fund.

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS

Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.



TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

INVENTORIES

Inventories of supplies are expended as received.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The Township has a reserved fund balance at March 31, 2005 as follows:

\$ 100,119 is reserved for the maintenance and improvement of Township roads in the Road Fund.

\$ 445 is reserved for Liquor Law Enforcement in the Liquor Law Enforcement Fund.

\$ 4,557 is reserved for Water Fund repairs and improvements in the Water Fund.

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting purposes.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING  
(Continued)

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.



TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING  
(Continued)

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

Property taxes are levied on December 31 and payable in two installments on July 01 and December 01. They become delinquent the following March 01.

The Township bills and collects its own property taxes and also collects taxes for the school district and county. Collections for the schools and county are accounted for in the Trust and Agency Fund. Township property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the Township the delinquent real property taxes outstanding as of March 01 of each year. The 2004 Taxable Valuation of the Township was \$ 45,095,536, on which was levied 2.61070 mills for general operation of the Township, and 1.46070 mills for the maintenance and improvement of Township roads.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Buildings..... 20 - 30 years  
Infrastructure..... 10 - 65 years  
Furniture and Other  
Equipment..... 5 - 20 years

To the extent the Township's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Equipment..... 5 - 20 years  
Land Improvements..... 20 years

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment costs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

The Township has no employees eligible to accrue vacation or sick pay.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

POST EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - INTERFUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

The amounts of the inter-fund receivables and payables as of March 31, 2005 were as follows:

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General	\$ 23524	\$ 822
Liquor Law Enforcement	793	0
Road	861	0
Trust and Agency	<u>0</u>	<u>24356</u>
Totals	\$ <u>25178</u>	\$ <u>25178</u>

At year-end, the Trust and Agency Fund had amounts due to both the General Fund and the Road Fund from current property tax collections.

Other payables and receivables represent timing differences in the receipt and disbursements of funds relating to operating activities.

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On March 31, 2005, the carrying value of the Township's deposits (Primary Government) was \$ 524,728 and is comprised of cash and deposits reflected in the following funds:

<b>Governmental Funds</b>	
General Fund	\$ 371262
Road Fund	96508
Liquor Law Enforcement Fund	<u>(342)</u>
<b>Total Governmental Funds</b>	<b>467428</b>
<b>Enterprise Funds</b>	
Water Fund	<u>4754</u>
<b>Total Enterprise Funds</b>	<b>4754</b>
<b>Fiduciary Funds</b>	
Tax Collection Fund	<u>52546</u>
<b>Total Fiduciary Funds</b>	<b>52546</b>
<b>Total Primary Government</b>	<b>\$ 524728</b>



TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

- |            |  |
|------------|--|
| Category 1 | Deposits which are insured or collateralized with securities held by the Township or by its agent in the Township's name.                        |
| Category 2 | Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name. |
| Category 3 | Deposits which are not collateralized or insured.  |

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Based on these levels of risk, the Township's cash deposits (Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 241042	\$ -0-	\$ 283686	\$ 524728

INVESTMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. Category 3 includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

There are no investments for the Township, as reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with it's investment policy.

NOTE D - PENSION PLAN

The Township has no pension plan.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated. The Township of Mastodon's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis.

**TOWNSHIP OF MASTODON**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2005*

**NOTE G - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

**NOTE H - CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2005:

**TOWNSHIP OF MASTODON**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

MARCH 31, 2005

**NOTE H - CAPITAL ASSETS (CONTINUED)**

	Balance March 31, 2004	Increases	Decreases	Balance March 31, 2005
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Capital Assets Not Being Depreciated</b>	\$	\$	\$	\$
Land and Land Improvements	3228	0	0	3228
<b>Total Capital Assets Not Being Depreciated</b>	\$ 3228	\$ 0	\$ 0	\$ 3228
<b>Other Capital Assets</b>				
Buildings	202082	0	0	202082
Furniture & Other Equip.	458248	12575	0	470823
Sewer Mains/Lines	9085	0	0	9085
<b>Total Other Cap. Assets</b>	\$ 669415	\$ 12575	\$ 0	\$ 681990
<b>Less Accumulated Depreciation for:</b>				
Buildings	(94823)	(5007)	0	(99830)
Furniture & Other Equip.	(307563)	(25143)	0	(332706)
Sewer Mains/Lines	(6)	(140)	0	(146)
<b>Total Accum. Depreciation</b>	(402392)	(30290)	0	(432682)
Other Capital Assets, Net	267023	(17715)	0	249308
<b>TOTAL ASSETS</b>	\$ 270251	\$ (17715)	\$ 0	\$ 252536

Depreciation was charged to governmental functions as allocated.



TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

There are no capital assets or depreciation for the business-type activities for the fiscal year ended March 31, 2005.

NOTE I - LONG-TERM DEBT

There is no long-term debt for the Township for the fiscal year ended March 31, 2005.

NOTE J - SEGMENT INFORMATION - Enterprise Fund

		Water Fund
Operating Revenues	\$	3007
Depreciation and Amortization Expense		0
Operating Income or (Loss)		(96)
Operating Grants, Entitlements, and Shared Revenues		0

(Continued on page 82)

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

MARCH 31, 2005

NOTE J - SEGMENT INFORMATION - Enterprise Fund (CONTINUED)

(Continued from previous page)

		<u>Water Fund</u>
Operating Transfers:	\$	
In		0
(Out)		0
Tax Revenues		0
Net Income or Loss		(96)
Current Capital:		
Contributions		0
Transfers		0
Property, Plant, and Equipment		
Additions		0
Deletions		0
Net Working Capital		4557
Total Assets		4872
Bonds and Other Long Term		
Liabilities		
Payable from operating Revenue		315
Payable from Other Sources		0
Total Equity	\$	4557

**TOWNSHIP OF MASTODON**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2005*

**NOTE K - SUBSEQUENT EVENTS**

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2005, there were no subsequent events that would have a significant effect on the Township's operations.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

There are no commitments or contingencies to be reported for the **Township of Mastodon** for the fiscal year ended March 31, 2005.

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF MASTODON**

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<b><u>REVENUE</u></b>			
General property taxes	\$ 105,043	\$ 110,455	\$ 117,720
Other local taxes	32,390	26,978	28,671
Tax collection and administration fees	16,681	16,681	18,389
Licenses, permits, and fees	1,121	1,121	1,864
Sale of property	-	1,040	1,000
Use of money and property	3,533	3,533	7,798
Miscellaneous	6,940	5,900	4,737
Intergovernmental	30,000	30,000	32,789
	<hr/>	<hr/>	<hr/>
<b>Total Revenue</b>	<b>195,708</b>	<b>195,708</b>	<b>212,968</b>
<b><u>EXPENDITURES</u></b>			
General government	90,662	80,762	63,637
Legislative	39,052	25,052	17,734
Township property	34,192	40,597	29,423
Public works	17,759	22,596	14,763
Public safety	47,602	45,602	28,064
Parks and recreation	18,201	19,659	10,281
Capital outlay	5,370	21,370	12,575
	<hr/>	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>252,838</b>	<b>255,638</b>	<b>176,477</b>
 <b>Net Change in Fund Balance</b>	 (57,130)	 (59,930)	 36,491
<b>Fund Balance -Beginning of Year</b>	<hr/> 360,562	<hr/> 360,562	<hr/> 360,562
<b>Fund Balance - End of Year</b>	<hr/> <b>\$ 303,432</b>	<hr/> <b>\$ 300,632</b>	<hr/> <b>\$ 397,053</b>

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - ROAD FUND**

*YEAR ENDED MARCH 31, 2005*

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<b><u>REVENUE</u></b>			
Property taxes	\$ -	\$ -	\$ 65,865
Other local taxes			433
Use of money and property			1,608
Intergovernmental			3,765
Miscellaneous			9
	<hr/>	<hr/>	<hr/>
<b>Total Revenue</b>	<b>69,660</b>	<b>69,660</b>	<b>71,680</b>
 <b><u>EXPENDITURES</u></b>			
Public works	<hr/> 168,009	<hr/> 170,460	<hr/> 143,660
<b>Total Expenditures</b>	<b>168,009</b>	<b>170,460</b>	<b>143,660</b>
 <b>Net Change in Fund Balance</b>	<b>(98,349)</b>	<b>(100,800)</b>	<b>(71,980)</b>
 <b>Fund Balance - Beginning of Year</b>	<hr/> 172,099	<hr/> 172,099	<hr/> 172,099
 <b>Fund Balance - End of Year</b>	<b><u>\$ 73,750</u></b>	<b><u>\$ 71,299</u></b>	<b><u>\$ 100,119</u></b>

The notes to the financial statements are an integral part of this report.

**OTHER SUPPLEMENTAL INFORMATION**

TOWNSHIP OF MASTODON
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## OTHER SUPPLEMENTAL INFORMATION

## BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

MARCH 31, 2005

	Liquor Law Enforcement Fund
<b><u>ASSETS</u></b>	
Cash and Investments (Note C )	\$ (342)
Due from Other Funds	<u>793</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 451</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>	
<b>Liabilities</b>	
Accrued payroll taxes	<u>6</u>
<b>Total Liabilities</b>	<b>6</b>
<b>Fund Balances</b>	
Unreserved and Undesignated	<u>445</u>
<b>Total Fund Balances</b>	<b>445</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 451</u></b>

The notes to the financial statements are an integral part of this report.



TOWNSHIP OF MASTODON

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUND

MARCH 31, 2005

	<u>Liquor Law Enforcement Fund</u>
<u>REVENUE</u>	
Intergovernmental	\$ 330
TOTAL REVENUE	\$ 330
<u>EXPENDITURES</u>	
Current:	
Public safety	322
TOTAL EXPENDITURES	\$ 322
Excess (Deficiency) of Revenues Over Expenditures	8
 FUND BALANCE - BEGINNING OF YEAR	 437
FUND BALANCE - END OF YEAR	\$ 445

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS**

MARCH 31, 2005

	LIQUOR LAW ENFORCEMENT FUND	TOWNSHIP ROAD FUND	TOTAL
<b><u>ASSETS</u></b>			
Cash	\$ (342)	\$ 96,508	\$ 96,166
Delinquent Taxes Receivable	-	2,750	2,750
Due from Other Funds	793	861	1,654
<b>TOTAL ASSETS</b>	<b>\$ 451</b>	<b>\$ 100,119</b>	<b>\$ 100,570</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>LIABILITIES</u></b>			
Accrued Payroll Taxes	6	-	6
<b>TOTAL LIABILITIES</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b><u>FUND EQUITY</u></b>			
Fund Balance			
Reserved for Liquor Law Enforcement	445		445
Reserved for Road Maintenance and Improvement		100,119	100,119
<b>TOTAL FUND EQUITY</b>	<b>\$ 451</b>	<b>\$ 100,119</b>	<b>\$ 100,570</b>

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY**

**ALL SPECIAL REVENUE FUNDS**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<b>LIQUOR LAW ENFORCEMENT FUND</b>	<b>TOWNSHIP ROAD FUND</b>	<b>TOTAL</b>
<b><u>REVENUES</u></b>			
Taxes	\$ -	\$ 66,298	\$ 66,298
State Revenue	330	3,765	4,095
Interest		1,608	1,608
Miscellaneous		9	9
<b>TOTAL REVENUES</b>	<b>\$ 330</b>	<b>\$ 71,680</b>	<b>\$ 72,010</b>
<b><u>EXPENDITURES</u></b>			
Salaries	300		300
Fringe Benefits	22		22
Maintenance and Repair		7,080	7,080
Contract Services		135,206	135,206
Tax Chargebacks/Adjustments		1,374	1,374
<b>TOTAL EXPENDITURES</b>	<b>322</b>	<b>143,660</b>	<b>143,982</b>
Excess of Revenues Over (Under) Expenditures	8	(71,980)	(71,972)
FUND BALANCE, APRIL 1	437	172,099	172,536
FUND BALANCE, MARCH 31	<u><u>\$ 445</u></u>	<u><u>\$ 100,119</u></u>	<u><u>\$ 100,564</u></u>

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**BALANCE SHEET  
GENERAL FUND**

MARCH 31, 2005

**ASSETS**

Cash and Deposits	\$ 371,262
Receivables:	
Taxes	4,916
Assessments	285
Due From Other Funds	23,524
	<hr/>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 399,987</u></u></b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Deposits	700
Accrued Taxes	1,412
Due To Other Funds	822
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>2,934</b>

**FUND EQUITY**

Fund Balance	397,053
	<hr/>
<b>TOTAL FUND EQUITY</b>	<b>397,053</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u><u>\$ 399,987</u></u></b>

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF REVENUE - ACTUAL AND BUDGET  
GENERAL FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>TAXES</u></b>			
Current Property Taxes	\$ 117,720	\$ 110,455	\$ 7,265
Administrative Fees	17,677	16,459	1,218
State Payment in Lieu of Taxes	20,779	20,779	-
Commercial Forest	2,548	1,659	889
Lake Mary - Fire Assessment	5,344	4,540	804
Interest and Penalties on Taxes	712	222	490
<b>TOTAL TAXES</b>	<b>164,780</b>	<b>154,114</b>	<b>10,666</b>
<b><u>FEDERAL GRANTS</u></b>			
Volunteer Fire Assistance Grant	1,159	-	1,159
<b>TOTAL FEDERAL GRANTS</b>	<b>1,159</b>	<b>-</b>	<b>1,159</b>
<b><u>STATE-SHARED RECEIPTS</u></b>			
Sales Tax	31,630	30,000	1,630
<b>TOTAL STATE-SHARED RECEIPTS</b>	<b>31,630</b>	<b>30,000</b>	<b>1,630</b>
<b><u>INTEREST AND RENTAL</u></b>			
Interest	5,852	1,933	3,919
Hall Rental	1,946	1,600	346
<b>TOTAL INTEREST AND RENTAL</b>	<b>7,798</b>	<b>3,533</b>	<b>4,265</b>
<b><u>OTHER REVENUE</u></b>			
Zoning Permits/Fees	1,864	1,121	743
Sale of Assets	1,000	1,040	(40)
Miscellaneous	4,737	5,900	(1,163)
<b>TOTAL OTHER REVENUE</b>	<b>7,601</b>	<b>8,061</b>	<b>(460)</b>
<b>TOTAL REVENUES</b>	<b>\$ 212,968</b>	<b>\$ 195,708</b>	<b>\$ 17,260</b>

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET  
GENERAL FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>LEGISLATIVE</u></b>			
<b><u>Township Board</u></b>			
Salaries	\$ 1,545	\$ -	\$ -
Fringe Benefits	116		
Supplies	1,930		
Printing/Publishing	188		
Legal and Audit	5,257		
Professional Fees	1,789		
Membership Dues/Education	705		
Insurance	3,039		
Telephone	1,860		
Miscellaneous	1,305		
<b>TOTAL LEGISLATIVE</b>	<b>\$ 17,734</b>	<b>\$ 25,052</b>	<b>\$ 7,318</b>
<b><u>GENERAL GOVERNMENT</u></b>			
<b><u>Supervisor</u></b>			
Salaries	8,400		
Fringe Benefits	643		
Membership Dues/Education	25		
Travel	21		
<b>Total Supervisor</b>	<b>9,089</b>	<b>9,300</b>	<b>211</b>
<b><u>Assessor</u></b>			
Professional Fees/Contract Labor	12,164		
Supplies	1,561		
Miscellaneous	231		
<b>Total Assessor</b>	<b>13,956</b>	<b>15,000</b>	<b>1,044</b>
<b><u>Elections</u></b>			
Professional Fees	1,564		
Supplies	738		
Printing/Publishing	161		
<b>Total Elections</b>	<b>\$ 2,463</b>	<b>\$ 5,500</b>	<b>\$ 3,037</b>

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET  
GENERAL FUND  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>GENERAL GOVERNMENT</u></b>			
<b><u>Clerk</u></b>			
Salaries	\$ 9,770	\$ -	\$ -
Fringe Benefits	747		
Membership Dues/Education	100		
Travel	50		
	<hr/>	<hr/>	<hr/>
<b>Total Clerk</b>	10,667	12,122	1,455
<b><u>Treasurer</u></b>			
Salaries	10,200		
Fringe Benefits	780		
Supplies	1,446		
Printing/Publishing	337		
Membership Dues/Education	25		
Tax Collection	153		
Travel	318		
Miscellaneous	502		
	<hr/>	<hr/>	<hr/>
<b>Total Treasurer</b>	13,761	19,017	5,256
<b><u>Cemetery</u></b>			
Professional Fees	5,163		
	<hr/>	<hr/>	<hr/>
<b>Total Cemetery</b>	5,163	5,163	-
<b><u>Board of Review</u></b>			
Salaries	552		
Fringe Benefits	42		
Printing/Publishing	35		
Membership Dues/Education	188		
Miscellaneous	117		
	<hr/>	<hr/>	<hr/>
<b>Total Board of Review</b>	\$ 934	\$ 1,390	\$ 456

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET  
GENERAL FUND  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>GENERAL GOVERNMENT (CONTINUED)</u></b>			
<u>Zoning</u>			
Salaries	\$ 4,585	\$ -	\$ -
Fringe Benefits	355		
Supplies	496		
Printing/Publishing	934		
Membership Dues/Education	387		
Professional Fees/Contract Services	802		
Miscellaneous	45		
<b>Total Zoning</b>	<u>7,604</u>	<u>13,270</u>	<u>5,666</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$ 63,637</b>	<b>\$ 80,762</b>	<b>\$ 17,125</b>
<b><u>TOWNSHIP PROPERTY</u></b>			
<u>Township Hall</u>			
Salaries	8,176		
Fringe Benefits	3,169		
Supplies	814		
Printing/Publishing	225		
Contract Services	1,044		
Insurance	2,065		
Utilities	12,894		
Telephone	44		
Gas, Fuel and Oil	180		
Maintenance and Repair	703		
Miscellaneous	109		
<b>TOTAL TOWNSHIP PROPERTY</b>	<b>\$ 29,423</b>	<b>\$ 40,597</b>	<b>\$ 11,174</b>
<b><u>DEPARTMENT OF PUBLIC WORKS</u></b>			
<u>Garage/Equipment</u>			
Salaries	6,174		
Fringe Benefits	1,302		
Supplies	3,444		
Street Lighting	2,423		
Contract Services	381		
Gas, Fuel and Oil	519		
Maintenance and Repair	501		
Miscellaneous	19		
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<b>\$ 14,763</b>	<b>\$ 22,596</b>	<b>\$ 7,833</b>

The notes to the financial statements are an integral part of this report.



**TOWNSHIP OF MASTODON**

**STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET  
GENERAL FUND  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>PUBLIC SAFETY</u></b>			
<b><u>Fire</u></b>			
Salaries	\$ 2,180	\$ -	\$ -
Fringe Benefits	164		
Supplies	1,886		
Membership Dues/Education	1,414		
Contract Services	5,317		
Gas, Fuel and Oil	865		
Maintenance and Repair	1,570		
Insurance	5,587		
Telephone	1,622		
Utilities	5,920		
Miscellaneous	1,539		
<b>TOTAL PUBLIC SAFETY</b>	<b>\$ 28,064</b>	<b>\$ 45,602</b>	<b>\$ 17,538</b>
<b><u>RECREATION AND CULTURAL</u></b>			
<b><u>Parks/Recreation</u></b>			
Salaries	4,310		
Fringe Benefits	423		
Contract Services	1,910		
Insurance	1,296		
Maintenance and Repair	531		
Utilities	1,433		
Telephone	354		
Miscellaneous	24		
<b>TOTAL RECREATION AND CULTURAL</b>	<b>\$ 10,281</b>	<b>\$ 19,659</b>	<b>\$ 9,378</b>
<b>CAPITAL OUTLAY</b>	<b>12,575</b>	<b>21,370</b>	<b>8,795</b>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 176,477</u></b>	<b><u>\$ 255,638</u></b>	<b><u>\$ 79,161</u></b>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET  
LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2005

**ASSETS**

Cash	\$ (342)
Due From Other Funds	793
	<hr/>
TOTAL ASSETS	451
	<hr/>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Accrued Payroll Taxes	6
	<hr/>
TOTAL LIABILITIES	6

**FUND EQUITY**

Fund Balance	445
	<hr/>
TOTAL FUND EQUITY	445
	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 451
	<hr/>

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY**

**ACTUAL AND BUDGET  
LIQUOR LAW ENFORCEMENT FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
State Grants	\$ 330	\$ -	\$ -
<b>TOTAL REVENUES</b>	<b>\$ 330</b>	<b>\$ 335</b>	<b>\$ (5)</b>
<b><u>EXPENDITURES</u></b>			
Salaries	300		
Fringe Benefits	22		
<b>TOTAL EXPENDITURES</b>	<b>\$ 322</b>	<b>\$ 325</b>	<b>\$ 3</b>
Excess of Revenues Over (Under) Expenditures	8	10	(2)
FUND BALANCE, APRIL 1	437		
<b>FUND BALANCE, MARCH 31</b>	<b>\$ 445</b>		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET  
ROAD REPAIR FUND

MARCH 31, 2005

**ASSETS**

Cash	\$ 96,508
Delinquent Taxes Receivable	2,750
Due From Other Funds	861

<b>TOTAL ASSETS</b>	<b><u>\$ 100,119</u></b>
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**FUND EQUITY**

Fund Balance	100,119
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<b>TOTAL FUND EQUITY</b>	<b><u>\$ 100,119</u></b>
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The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY**

**ACTUAL AND BUDGET  
ROAD REPAIR FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
Property Taxes	\$ 65,865	\$ -	\$ -
Commercial Forest	433		
Metro Act	3,765		
Interest	1,608		
Miscellaneous	9		
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>\$ 71,680</b>	<b>\$ 69,660</b>	<b>\$ 2,020</b>
 <b><u>EXPENDITURES</u></b>			
Contracted Services	135,206		
Maintenance	7,080		
Tax Chargebacks/Adjustments	1,374		
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>\$ 143,660</b>	<b>\$ 170,460</b>	<b>\$ 26,800</b>
 Excess of Revenues Over (Under) Expenditures	 (71,980)	 (100,800)	 28,820
 FUND BALANCE, APRIL 1	 <hr/> 172,099		
 FUND BALANCE, MARCH 31	 <u><u>\$ 100,119</u></u>		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET  
WATER FUND

MARCH 31, 2005

ASSETS

Cash and Deposits:

    Restricted

\$ -

    Unrestricted

4,754

Accounts Receivable

118

TOTAL ASSETS

\$ 4,872

LIABILITIES AND FUND EQUITY

LIABILITIES

Deferred Revenue

315

TOTAL LIABILITIES

315

FUND EQUITY

Retained Earnings

    Restricted for Water System Repairs/Improvements

4,557

TOTAL FUND EQUITY

4,557

TOTAL LIABILITIES AND FUND EQUITY

\$ 4,872

The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
WATER FUND**

YEAR ENDED MARCH 31, 2005

**OPERATING REVENUE**

Charges for Services	\$ 3,007
Miscellaneous Revenue	-

<b>TOTAL OPERATING REVENUE</b>	<b>\$ 3,007</b>
--------------------------------	-----------------

**OPERATING EXPENSES**

Personal Services	125
Administrative and Clerical	-
Professional Fees/Contract Labor	1,517
Other Supplies and Expenses	1,461
Depreciation	-

<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 3,103</b>
---------------------------------	-----------------

Operating Profit (Loss)	(96)
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<b>RETAINED EARNINGS, APRIL 1</b>	<b>4,653</b>
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<b>RETAINED EARNINGS, MARCH 31</b>	<b>\$ 4,557</b>
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The notes to the financial statements are an integral part of this report.

**TOWNSHIP OF MASTODON**

**STATEMENT OF CASH FLOWS  
WATER FUND**

*FISCAL YEAR ENDED MARCH 31, 2005*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 2,968
Other operating revenues	
Cash payments to employees for services	(125)
Cash payments to goods and services	(2,978)
Other operating expenses	-

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (135)</b>
---	-----------------

**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	-

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>-</b>
---	----------

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	
Principal payment on long-term bonds	
Interest paid on long-term bonds	
Interest and tax expense	
Proceeds from borrowings	
Contributed capital grants	-

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>
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**INVESTING ACTIVITIES**

Interest Income	-
-----------------	---

<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-</b>
---	----------

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(135)</b>
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Cash and Cash Equivalents, Beginning of Year	4,889
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<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,754</b>
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The notes to the financial statements are an integral part of this report.



TOWNSHIP OF MASTODON
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STATEMENT OF CASH FLOWS  
WATER FUND  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

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Operating Income	\$	(96)
Adjustment to reconcile operating income to net cash provided by operating activities:		
. Depreciation		-
. Provision for uncollectible accounts		-
. Changes in assets and liabilities :		
(Increase) Decrease in accounts receivable		
Increase (Decrease) in accounts payable		
Increase (Decrease) in deferred revenue		(39)
Increase (Decrease) in customer deposits		-
NET CASH FROM OPERATING ACTIVITIES	\$	<u>(135)</u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENTS AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
**Township of Mastodon**  
Alpha, Michigan 49902

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Mastodon** as of and for the year ended March 31, 2005, which collectively comprise the **Township of Mastodon's** financial statements, and have issued our report thereon dated May 02, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Township of Mastodon's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.


### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Township of Mastodon's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Compliance and Other Matters (Continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 02, 2005

# **DS Rostagno, CPA, P.C.**

**101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042**

Members of the Township Board  
**Township of Mastodon**  
Alpha, Michigan 49902

In planning and performing the audit of the financial statements of the **Township of Mastodon**, we considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated May 02, 2005 on the financial statements of the **Township of Mastodon**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate township officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

## **BUDGETS**

### **Problem**

During the fiscal year ended March 31, 2004, the Township incurred an expenditure which was in excess of the amount appropriated.

### **Recommendation**

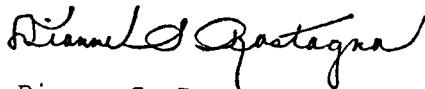
It was recommended that, periodically, budgeted amounts be compared to actual expenditures and the budget amended accordingly.

### **Resolution**

This was satisfactorily resolved.

We wish to express our appreciation to the Township officials for their assistance during our audit engagement.

This report is intended solely for the information and use of the Township Board.



Dianne S. Rostagno  
DS ROSTAGNO CPA, P.C.

May 02, 2005

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

May 02, 2005

Governing Board  
**Township of Mastodon**  
P.O. Box 155  
Alpha, Michigan 49902

We have audited the financial statements of the **Township of Mastodon** for the year ended March 31, 2005, and have issued our report thereon dated May 02, 2005. Professional standards require that we provide you with the following information related to the audit:

## **Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated September 23, 2004, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of the audit, we considered the internal control of the **Township of Mastodon**. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the **Township of Mastodon's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

Significant Accounting Policies (Continued)

The significant accounting policies used by the **Township of Mastodon** are described in the Note to the financial statements. There were no other new accounting policies adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by the **Township of Mastodon** during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the **Township of Mastodon** that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the **Township of Mastodon's** financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors


We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the **Township of Mastodon's** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of the **Township of Mastodon** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.